

## Message Text

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PAGE 01 BAGHDA 01367 170759Z

ACTION NEA-10

INFO OCT-01 EUR-12 ISO-00 L-03 AID-05 CIAE-00 EB-08

FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02

OPIC-03 SP-02 LAB-04 SIL-01 OMB-01 H-01 /069 W

-----062892 170802Z /15

R 130437Z AUG 77

FM USINT BAGHDAD

TO SECSTATE WASHDC 4869

INFO USDOC WASHDC

AMEMBASSY ABU DHABI

AMEMBASSY ATHENS

AMEMBASSY CAIRO

AMCONSUL DHAHRAN

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY MANAMA

AMEMBASSY MUSCAT

AMEMBASSY PARIS

AMEMBASSY TEHRAN

LIMITED OFFICIAL USE BAGHDAD 1367

E.O. 11652: N/A

TAGS: EFIN, BGEN, IZ

SUBJECT: PROSPECTIVE EFFECT OF 1976 TAX REFORM AMEDEMMENTS  
ON US BUSINESS IN IRAQ

1. SURVEY OF THE THREE MAJOR US EMPLOYERS IN IRAQ  
INDICATES THAT THE EFFECT OF THE NEW LAW CONCERNING  
TAXATION OF INCOME EARNED ABROAD BY US CITIZENS WILL VARY  
ACCORDING TO THE PROVISIONS OF THE CONTRACT THE COMPANY HAS  
WITH ITS IRAQI CLIENT. ALL THREE COMPANIES HAVE TAX  
EQUALIZATION SCHEMES FOR EMPLOYEES OVERSEAS.

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PAGE 02 BAGHDA 01367 170759Z

2. BOEING, WHICH EMPLOYS ABOUT SEVENTY US CITIZENS IN  
FULFILLMENT OF MAINTENANCE AND TRAINING CONTRACT WITH IRAQI  
AIRWAYS, AND BECHTEL, WHICH EMPLOYS ABOUT A HUNDRED US CITIZENS  
ON TWO PROJECTS FOR THE MINISTRY OF OIL, BOTH HAVE CONTRACTS  
WHICH PROVIDE FOR THE IRAQI CLIENT TO REIMBURSE  
EMPLOYEES FOR IRAQI INCOME TAXES. EVEN THOUGH  
EMPLOYEES MUST REPORT THE AMOUNT OF REIMBURSEMENT

AS INCOME FOR US TAX PURPOSES, THEIR FOREIGN TAX CREDIT FOR PAYMENT OF THE STEEP IRAQI TAXES MORE THAN OFFSETS TAX LIABILITIES TO THE US GOVERNMENT. BECHTEL REPRESENTATIVE, HOWEVER, COMMENTED THAT IF FUTURE CONTRACTS DID NOT CONTAIN PROVISIONS FOR CLIENT TO PAY IRAQI TAXES, BECHTEL WOULD LIKELY HIRE ITALIANS FOR US POSITIONS.

3. CONTRACT OF LUMMUS - THYSSEN (US-GERMAN) JOINT VENTURE FOR 1.1 BILLION DOLLAR PETRO-CHEMICAL COMPLEX DOES NOT CONTAIN PROVISION FOR CLIENT TO PAY LOCAL TAXES. LOCAL REPRESENTATIVE SAID JOINT VENTURE HAD PLANNED TO EMPLOY ABOUT 150 US CITIZENS, BUT IN VIEW OF UNCERTAINTY AS TO WHETHER RIBICOFF AMENDMENT IN 1976 TAX REFOR LEGISLATION WILL BE REPEALED THE COMPANY HAS DECIDED TO HOLD NUMBER AT THE 26 CURRENTLY IN IRAQ. AS PROJECT'S CONSTRUCTION CONTINUES, COMPANY MAY HAVE TO INCREASE NUMBER BUT WILL TRY TO HOLD TOTAL TO FIFTY OR LESS, ONE THIRD OF NUMBER COMPANY ORIGINALLY INTENDED TO EMPLOY. MACK

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01-Jan-1994 12:00:00 am  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
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**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 22 May 2009  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
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**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
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**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
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**Review Markings:**  
Margaret P. Grafeld  
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EO Systematic Review  
22 May 2009  
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